Product/Service Development

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Entrepreneurial Process

An *entrepreneur is someone who perceives an opportunity and creates an organisation* to pursue it.

The *entrepreneurial process involves all the functions, activities, and actions* associated with perceiving opportunities and creating organisations to pursue them.

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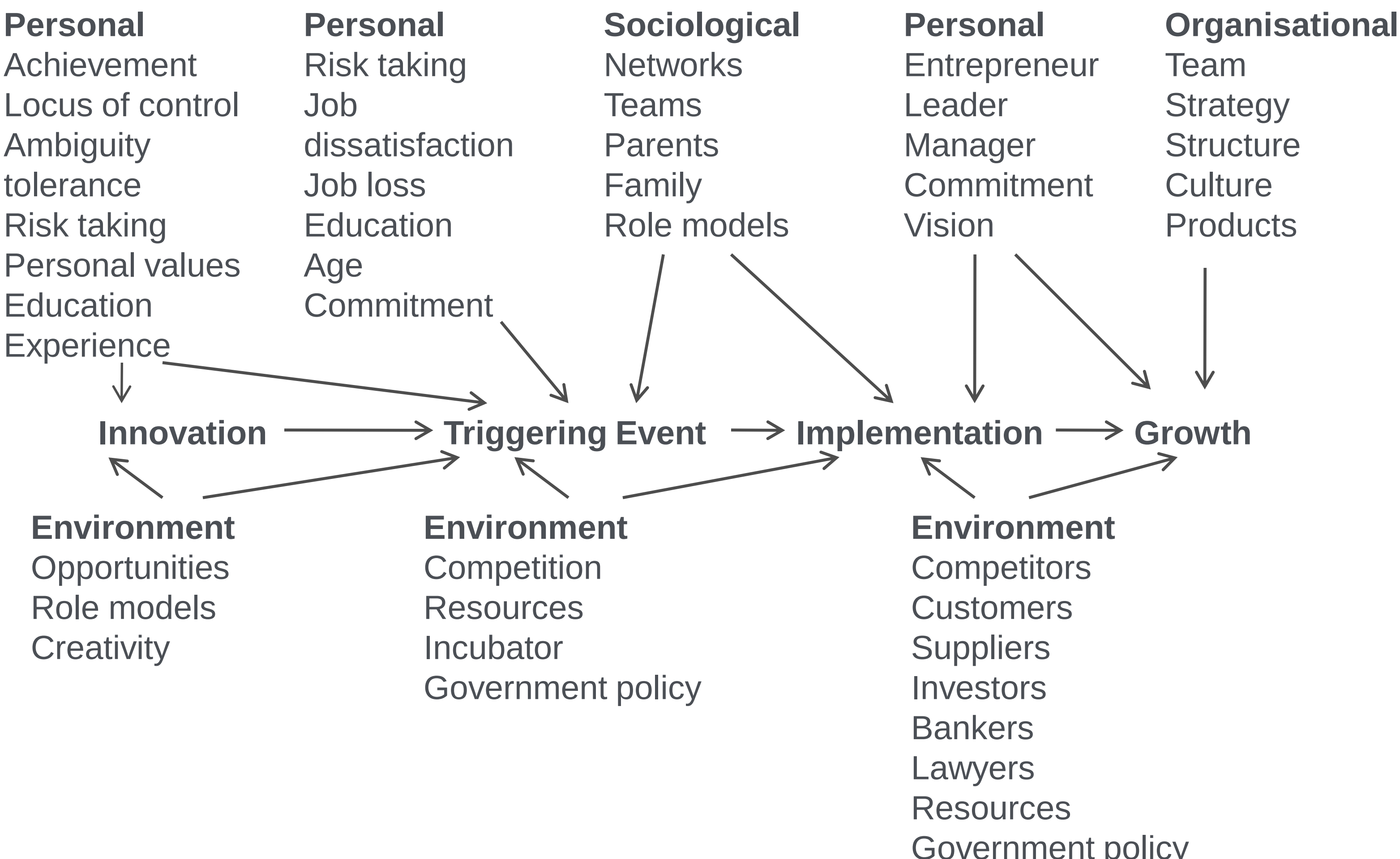
A model of the Entrepreneurial Process



Entrepreneurial Process

A person gets an idea for a new business either through a deliberate search or a chance encounter.

There is almost always a *triggering event that gives birth to a new organisation.*

Perhaps the entrepreneur has no better career prospects. Sometimes the person has been passed over for a promotion, or even laid off or fired.

For other people, entrepreneurship is a deliberate career choice.

Entrepreneurial Process

Where do would-be entrepreneurs get their ideas?

More often than not it is through their present line of employment or experience. A 2002 study of the *Inc. 500—comprising America's 500 fastest growing companies—found that* 57% of the founders got the idea for their new venture in the industry they worked in and a further 23% in an industry related to the one in which they were employed.

80% of all new high-potential businesses are founded in industries that are the same as, or closely related to, the one in which the entrepreneur has previous experience.

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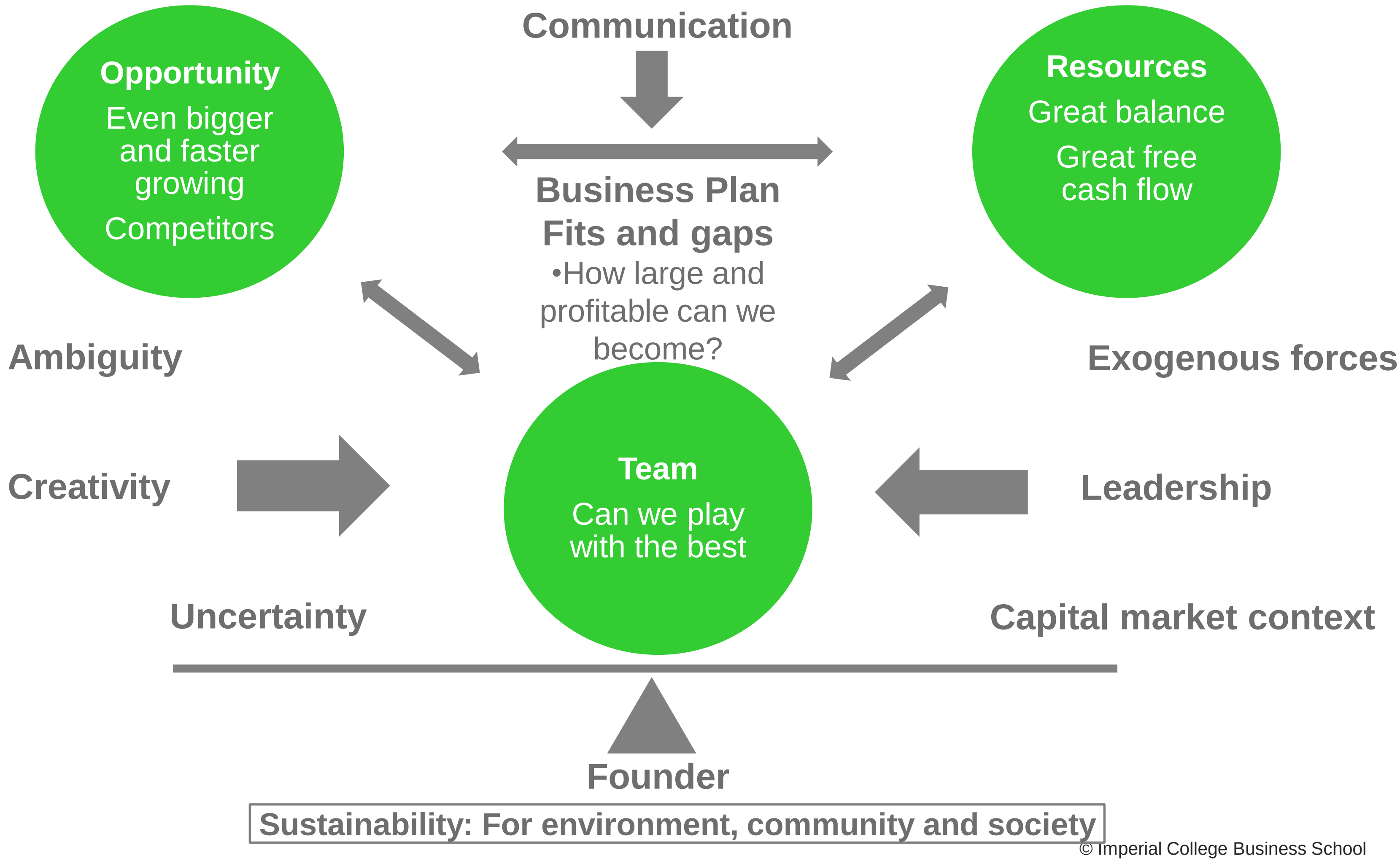
The Timmons Model of the Entrepreneurial Process



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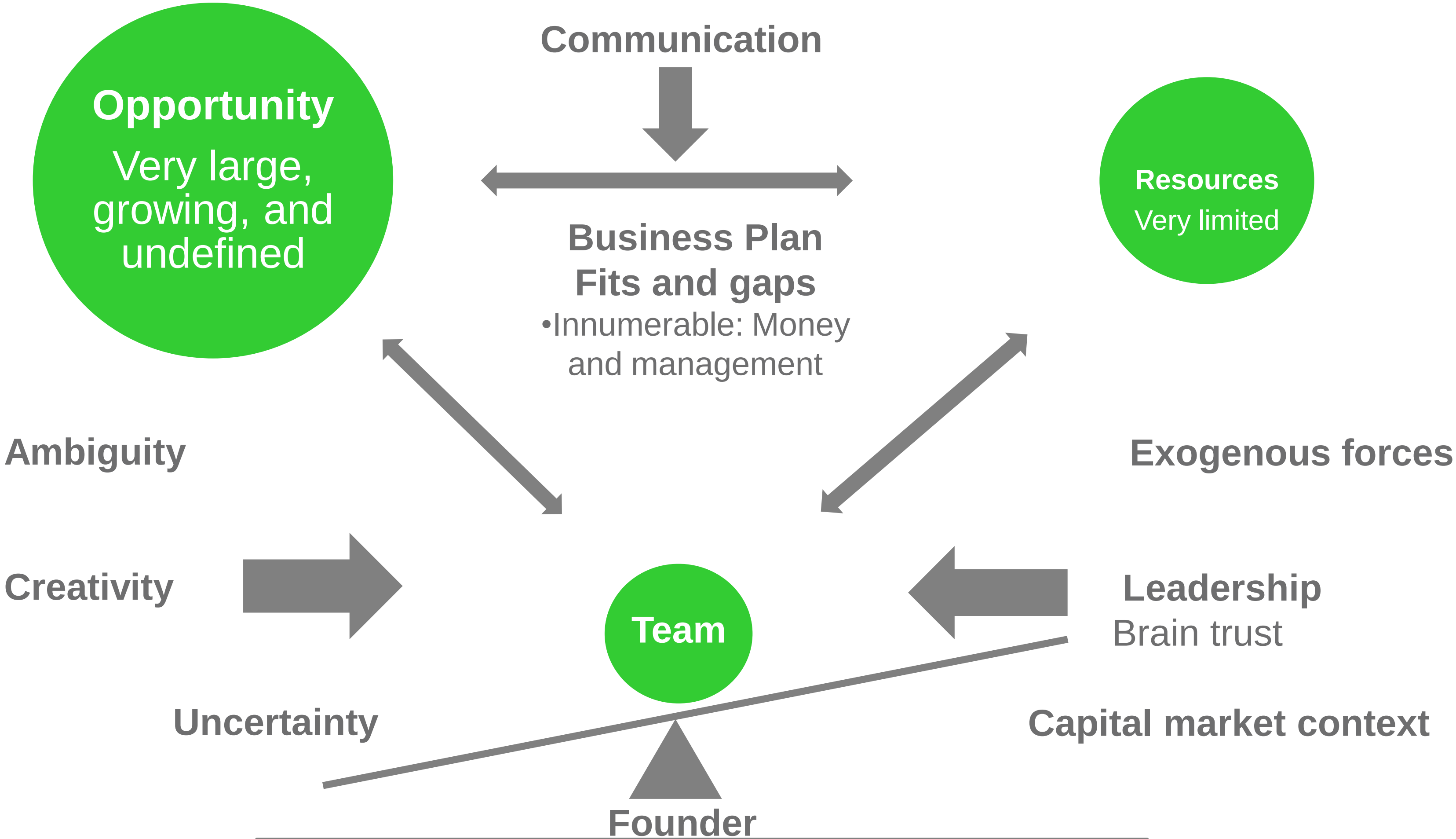
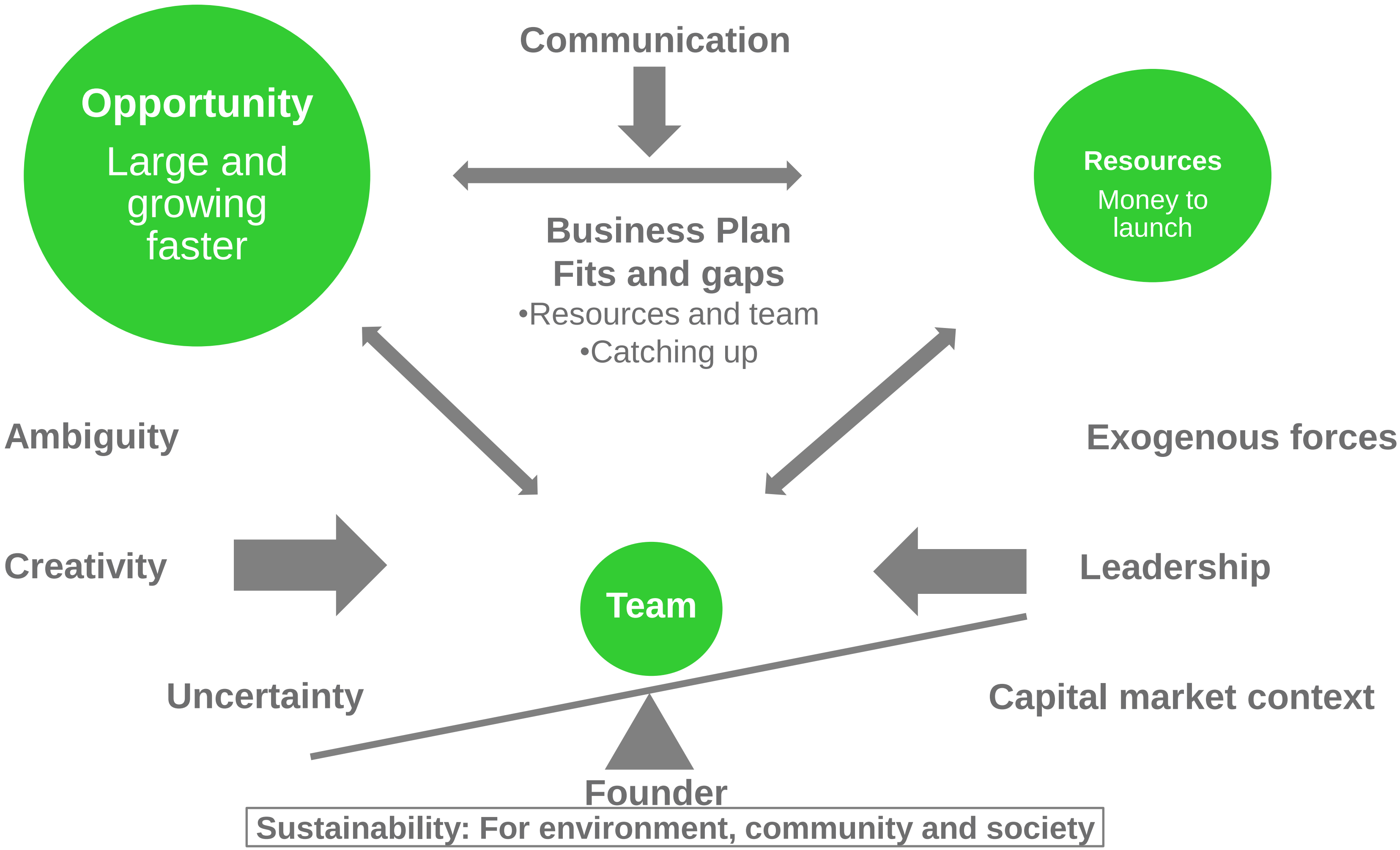
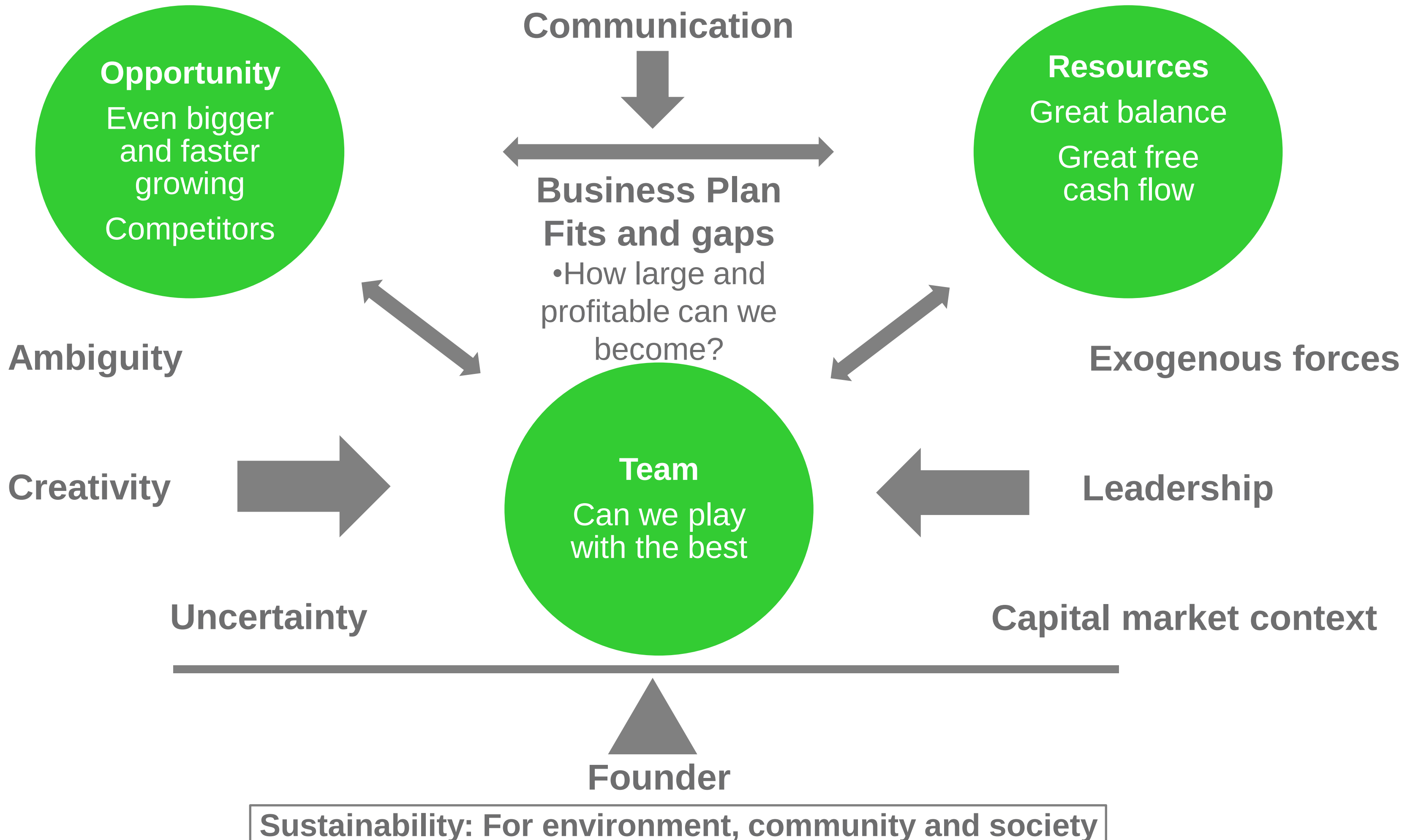


Sustainability: For environment, community and society

The Timmons Model of the Entrepreneurial Process



The Timmons Model of the Entrepreneurial Process



Timmons Model Interpreted

- The process starts with opportunity, not strategy, resources or planning
- Opportunity recognition results from creativity, which is shared by the entrepreneur and the entrepreneurial team;
- Creativity results from collision between academic learning and real world practice
- Value Creation results from integration of opportunity and efficient use of resources
- Combination of people, opportunity and resources coming together at particular time may determine the chance for success

Entrepreneurial Process

In entrepreneurship, it is a question of recognizing a good opportunity when you see one and having the skills to convert that opportunity into a thriving business. To do that, you must be prepared. So in entrepreneurship, just like any other profession, *luck is where preparation and opportunity meet.*

The crucial ingredients for entrepreneurial success are a superb entrepreneur with a first-rate management team and an excellent market opportunity.

The idea is not what is important. Developing and implementing the idea and building a successful business are the important aspects of entrepreneurship.

Entrepreneurial Process

Would-be entrepreneurs who are unable to name customers are not ready to start a business. They have only found an idea and have not yet identified the market.

Entrepreneurial frugality includes:

- Low overhead
- High productivity
- Minimal ownership of capital assets

For entrepreneurs, happiness is a positive cash flow.

Value Creation

To analyze the specific activities through which firms can create a competitive advantage, it is useful to model the firm as a chain of value-creating activities. Michael Porter identified a set of interrelated generic activities common to a wide range of firms. The resulting model is known as the **value chain** and is depicted below:

Primary Value Chain Activities

Inbound Logistics → **Operations** → **Outbound Logistics** → **Marketing & Sales** → **Service**

Value Creation: Primary Value Chain Activities

The goal of these activities is to create value that exceeds the cost of providing the product or service, thus generating a profit margin.

- **Inbound logistics** include the receiving, warehousing, and inventory control of input materials.
- **Operations** are the value-creating activities that transform the inputs into the final product.
- **Outbound logistics** are the activities required to get the finished product to the customer, including warehousing, order fulfilment, etc.
- **Marketing & Sales** are those activities associated with getting buyers to purchase the product, including channel selection, advertising, pricing, etc.
- **Service** activities are those that maintain and enhance the product's value including customer support, repair services, etc.

Value Creation: Primary Value Chain Activities

Any or all of these primary activities may be vital in developing a competitive advantage. For example, logistics activities are critical for a provider of distribution services, and service activities may be the key focus for a firm offering on-site maintenance contracts for office equipment.

These five categories are generic and portrayed here in a general manner. Each generic activity includes specific activities that vary by industry.

Value Creation: Support Activities

The primary value chain activities described above are facilitated by support activities. Porter identified four generic categories of support activities, the details of which are industry-specific.

- **Procurement** - the function of purchasing the raw materials and other inputs used in the value-creating activities.
- **Technology Development** - includes research and development, process automation, and other technology development used to support the value-chain activities.
- **Human Resource Management** - the activities associated with recruiting, development, and compensation of employees.
- **Firm Infrastructure** - includes activities such as finance, legal, quality management, etc.

Value Creation: Support Activities

Support activities often are viewed as "overhead", but some firms successfully have used them to develop a competitive advantage, for example, to develop a cost advantage through innovative management of information systems.

Value Creation: Value Chain Analysis

- In order to better understand the activities leading to a competitive advantage, one can begin with the generic value chain and then identify the relevant firm-specific activities. Process flows can be mapped, and these flows used to isolate the individual value-creating activities.
- Once the discrete activities are defined, linkages between activities should be identified. A linkage exists if the performance or cost of one activity affects that of another. Competitive advantage may be obtained by optimizing and coordinating linked activities.

Value Creation: Value Chain Analysis

- The value chain also is useful in outsourcing decisions. Understanding the linkages between activities can lead to more optimal make-or-buy decisions that can result in either a cost advantage or a differentiation advantage.

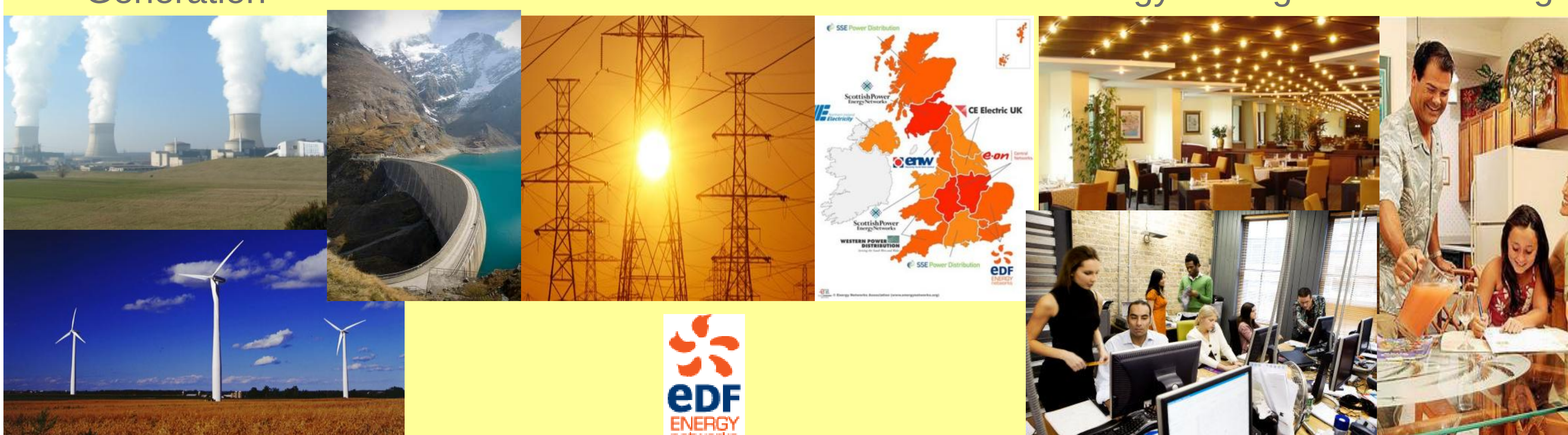
Value Creation: The Value System

The firm's value chain links to the value chains of upstream suppliers and downstream buyers. The result is a larger stream of activities known as the *value system*. The development of a competitive advantage depends not only on the firm-specific value chain, but also on the value system of which the firm is a part.

EDF Value Chain

An integrated energy company, with a presence in a wide range of electricity-related generation, transmission and distribution, supply and energy trading.

Activities in competition	Regulated Activities		Activities in competition	
Generation	Transmission	Distribution	Energy Selling	Trading



EDF group is an integrated energy company active in all businesses

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The role of the Business Model

In the most basic sense, a business model is the method of doing business by which a company can sustain itself – that is, generate revenue. The business model spells out how a company makes money by specifying where it is positioned in the value chain.

The role of business in capturing value from innovation H. Chesbrough and R Rosenbloom

Functions of a Business Model

- Articulate the *value proposition* i.e. the value created for users by the offering based on the technology;

- Identify a *market segment,* i.e. the users to whom the technology is useful and for what purpose, and specify the revenue generation mechanism(s) for the firm;

- Define the structure of the *value chain* within the firm required to create and distribute the offering, and determine the complementary assets needed to support the firm's position in this chain;

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Business Model Detail

- Estimate the *cost structure* and *profit potential* of producing the offering, given the value proposition and value chain structure chosen;

- Describe the position of the firm with the *value network* linking suppliers and customers, including identification of potential complementors and competitors;

- Formulate the *competitive strategy* by which the innovating firm will gain and hold advantage over rivals.

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Business Model

Business Model mediates between technical and economic domains

Technical Inputs:

e.g., feasibility, performa nce

Business Model:

*market

*value proposition

*value chain

*cost and profit

*value network

*competitive strategy

Economic Outputs:

e.g., value, price, profit

Measured in technical domain

Measured in economic domain

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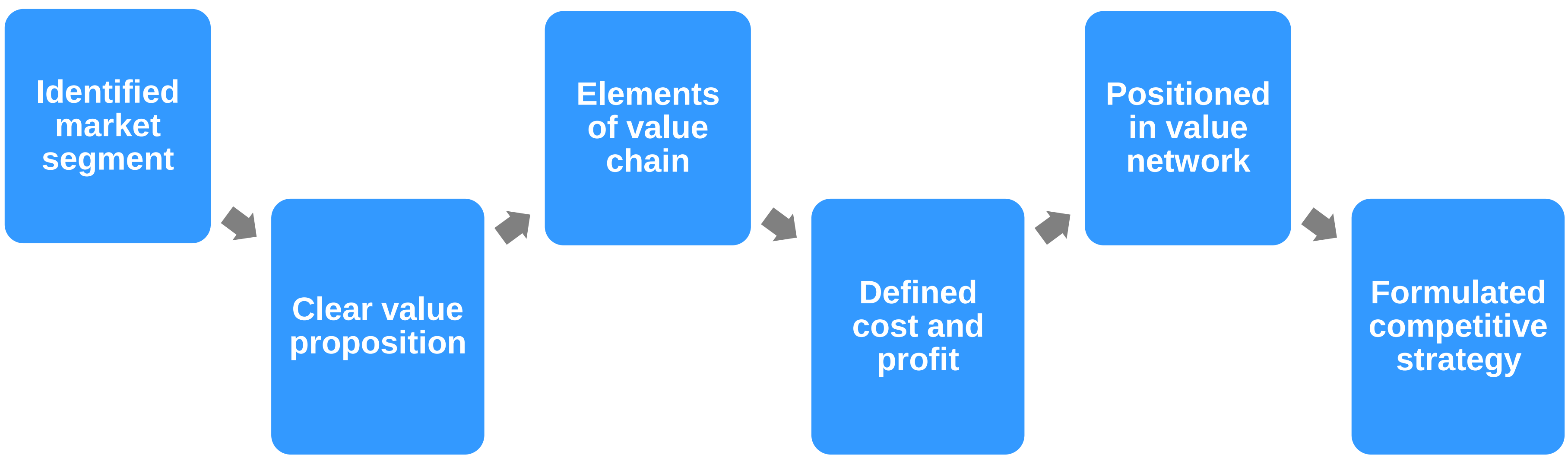
Business Model Attributes



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Opportunity Assessment

1. **Is there a MARKET?** Examine the size of the market to make certain that you only need a small portion of the market as customers to make your business work. Make sure that they are interested in, *and more importantly want and need* your product or service. You don't have time or money as an entrepreneur to educate them. Begin to get an idea of how much they will be willing to pay. Too many times this becomes a last minute guess by the entrepreneur.

Opportunity Assessment

2. **Is there a MARGIN?** Figure out the basic economics of the business. How much will the product or service sell for and how much will it cost to produce the product or offer the service? At this stage you should really look for opportunities that offer at least a 50% margin. Generally, when all is said and done this will typically result in actual profits of about 15-20% once the business plan is developed and all of the true costs are determined.

Opportunity Assessment

3. **Is this for ME?** There are many periods during the growth of the business when the entrepreneur needs a true passion to carry them through. This is not just a simple financial investment. It becomes much more personal and emotional than that. Many entrepreneurs tell us that the profit part of the business opportunity is only one of many reasons for launching their businesses. It also helps to build a business that takes advantage of your experiences, knowledge and skills.

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Value Proposition

A description the customer problem, the product that addresses the problem, and the value of the product from the customer's perspective.

1. Market - who are you creating the value proposition for?
2. Value Experience or Customer Experience - what do they say they value? This stage must include real feedback and must not be guessed.
3. Offering - description of the product or service being offered
4. Benefits - what are the benefits?
5. Alternatives and Differentiation - what substitutes or alternatives are there? 'Do nothing' and 'we'll do it ourselves in-house' are often the biggest. How are you different from anything else being offered?
6. Proof - what evidence have you got that you can do what you say?

Difference in Product & Service Entrepreneurship

Products	**Services**
Tangibility	Intangibility .
Stock could be called a financial product that you own.	You cannot own a service
Standardized	Tailor-made
Product can be sold to almost everyone	Services require you to build a relationship with people and continue to develop it.